

CIA/OCI/BRIEF
25 JULY 1973

011-73

Approved For Release 2001/08/17 : CIA-RDP85T00875R000600050007-0

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TO: MEA BRIEF 011.

1.//EGYPT/FEDAYEEN: IN HIS SPEECH ON 23 JULY, PRESIDENT SADAT MADE A POINTED ATTACK ON ARAB GOVERNMENTS THAT HAVE TRIED TO SUPPRESS OR CURB FEDAYEEN ACTIVITY. SADAT AFFIRMED EGYPT'S "UNCONDITIONAL" SUPPORT FOR FEDAYEEN ACTION--AS OPPOSED SIMPLY TO SUPPORT FOR THE PALESTINIAN CAUSE.

THE DEGREE OF SADAT'S SUPPORT FOR THE FEDAYEEN--ALWAYS MORE VERBAL THAN TANGIBLE--VARIES. HIS ATTITUDE IS OFTEN GOVERNED BY HIS CURRENT MOOD TOWARD THE US AND ISRAEL, AND TOWARD THE PROSPECTS FOR MOVEMENT ON A SETTLEMENT.

IN JANUARY, AT THE START OF WHAT PROVED TO BE A SHORT-LIVED EGYPTIAN DIPLOMATIC CAMPAIGN TO INDUCE PROGRESS ON A SETTLEMENT, CAIRO INDICATED THAT IT REGARDED THE SETTLEMENT QUESTION AS A TWO-PRONGED ONE. ONE ASPECT INVOLVED THE RESOLUTION OF EGYPT'S TERRITORIAL PROBLEMS WITH ISRAEL; THE OTHER--WHICH CAIRO MADE CLEAR WAS THE PALESTINIANS' PROBLEM TO SOLVE AS THEY CHOSE--INVOLVED PALESTINIAN TERRITORIAL ASPIRATIONS.

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THIS EGYPTIAN WILLINGNESS TO STAND ASIDE FROM THE PALESTINIANS EVAPORATED LAST SPRING IN THE HEAT GENERATED AGAINST THE US AND ISRAEL BY THE ANNOUNCEMENT OF ADDITIONAL US ARMS SALES TO ISRAEL, THE US REACTION TO THE KHARTOUM INCIDENT, AND THE ISRAELI ASSASSINATION OF THREE FEDAYEEN LEADERS IN BEIRUT. BY THE START OF THE UN MIDDLE EAST DEBATE IN JUNE, HOWEVER, CAIRO HAD REVERTED TO A MODERATE APPROACH, AND RETURNED TO THE FORMULA FOR DISENGAGING EGYPTIAN AND PALESTINIAN INTERESTS.

AGAIN THE EPISODE WAS SHORT-LIVED. CAIRO HAS RETURNED TO THE VIEW THAT THE US IS DETERMINED TO BLOCK ANY EGYPTIAN ATTEMPT, HOWEVER REASONABLE IN CAIRO'S EYES, TO ACHIEVE PROGRESS AT THE UN IN PARTICULAR AND TOWARD A SETTLEMENT IN GENERAL.

SADAT, IN SHORT, WOULD LIKE TO RID HIMSELF OF THE FEDAYEEN. BUT HE HAS NOT YET FOUND A WAY OF ACCOMPLISHING THIS WITHOUT DOING SEVERE DAMAGE TO HIS NATIONALIST STANDING. THE FEDAYEEN ARE THE SYMBOL OF THE STRUGGLE AGAINST ISRAEL AND AGAINST THE US, AND FRUSTRATION FROM THESE QUARTERS DEMANDS A STRONG

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REAFFIRMATION OF SUPPORT FOR THE FEDAYEEN. FLUCTUATION IN EGYPTIAN-FEDAYEEN RELATIONS WILL CONTINUE IN CORRESPONDENCE WITH THE UPS AND DOWNS IN EGYPTIAN ATTITUDES TOWARD THE OVERALL PROBLEM OF RESOLVING THE MIDDLE EAST IMPASSE. (SECRET)//

2. GREECE/TURKEY: STRAINS HAVE DEVELOPED IN GREEK-TURKISH RELATIONS OVER THE PAST YEAR AS A RESULT OF RELATIVELY MINOR CLASHES BETWEEN GREEK AND TURKISH NATIONALS LIVING IN NORTHERN GREECE AND IN ISTANBUL. THE TWO GOVERNMENTS HAVE THEREFORE AGREED TO HOLD INFORMAL WORKING LEVEL DISCUSSIONS ON MINORITY PROBLEMS.

THE US EMBASSY IN ATHENS IS NOT OPTIMISTIC THAT THE EXPECTED TALKS WILL CLEAR THE AIR. THE FIRST MEETING IS YET TO BE HELD AND NO REALLY NEW APPROACH TO MINORITY ISSUES SEEMS LIKELY. STILL, THE FACT THAT BOTH COUNTRIES' FOREIGN MINISTER'S HAVE BACKED THE TALKS SHOULD HELP CREATE A FAVORABLE ATMOSPHERE, AND REGULAR CONTACTS SHOULD HELP PREVENT FUTURE MINORITY INCIDENTS FROM BEING BLOWN OUT OF PROPORTION. (CONFIDENTIAL)

3.//ALGERIA/FRANCE: FOREIGN MINISTER BOUTEFLKIA'S RECENT

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VISIT TO PARIS WAS SUCCESSFUL IN TERMS OF PUBLIC RELATIONS; HE MADE AN EXCELLENT IMPRESSION ON FRENCH OFFICIALS AND WAS WELL TREATED BY THE PRESS AND PUBLIC. SPECIFIC AGREEMENTS ON MATTERS OF SUBSTANCE WERE LEFT FOR FUTURE NEGOTIATIONS, HOWEVER.

DURING HIS VISIT BOUTEFLIKA FOCUSED ON GENERAL ISSUES TO LAY THE GROUNDWORK FOR FUTURE MEETINGS, INCLUDING A POSSIBLE EXCHANGE OF VISITS BETWEEN PRESIDENT POMPIDOU AND PRIME MINISTER BOUMEDIENE. BOUTEFLIKA TOLD THE FRENCH THAT ALGERIAN INTERESTS INCLUDE:

- AN INCREASE IN THE FRENCH "COOPERANT" PROGRAM;
- A LARGER QUOTA OF ALGERIAN WORKERS IN FRANCE;
- ADDITIONAL LOANS FOR ALGERIA'S DEVELOPMENT PROGRAM.

NOTWITHSTANDING THE IMPROVED ATMOSPHERE, SEVERAL CONTENTIOUS ISSUES WILL HAVE TO BE RESOLVED BEFORE BILATERAL RELATIONS IMPROVE SIGNIFICANTLY. ACCORDING TO THE FRENCH AMBASSADOR TO ALGIERS, PARIS WILL INSIST ON PRIOR SETTLEMENT OF THREE MAJOR ISSUES:

- COMPENSATION FOR FRENCH PROPERTIES NATIONALIZED BY ALGIERS;
- TRANSFER OF FUNDS FROM FROZEN BANK ACCOUNTS OF FORMER

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FRENCH RESIDENTS:

--BETTER TREATMENT OF FRENCH NATIONALS IN ALGERIA, WHO ARE SUBJECT TO ARBITRARY ARREST.

ALTHOUGH THESE ISSUES WERE DISCUSSED IN PARIS, NO ATTEMPT WAS MADE TO ACHIEVE IMMEDIATE SOLUTIONS. {SECRET} //

4. ZAMBIA: SIX MONTHS AFTER THE BORDER WITH RHODESIA WAS CLOSED, ZAMBIA IS STILL STRUGGLING TO REROUTE THE 60 PERCENT OF ITS TRADE THAT FORMERLY TRANSITED RHODESIA AND MOZAMBIQUE. FOR THE FIRST TIME SINCE THE CLOSURE, ■■■■■COPPER EXPORTS, WHICH ACCOUNT FOR 95 PERCENT OF ZAMBIA'S FOREIGN EXCHANGE, ARE BEING AFFECTED. IMPORTS, A PROBLEM FROM THE BEGINNING, ARE NOW RUNNING AT LESS THAN HALF OF LUSAKA'S ESTIMATED MONTHLY REQUIREMENT OF 120,000 TONS. SHORTAGES OF REPLACEMENT PARTS, COMMODITIES, AND RAW MATERIALS HAVE BEGUN TO APPEAR AND ARE LIKELY TO INCREASE OVER THE NEXT SIX MONTHS.

A UN SURVEY TEAM THAT VISITED ZAMBIA IN FEBRUARY ESTIMATED THAT EQUIPMENT, MANPOWER, AND TRANSPORT COSTS FOR THE FIRST YEAR OF REROUTING WOULD COST \$200 MILLION. SO FAR, HOWEVER, ONLY \$50

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MILLION HAS BEEN PLEDGED BY FOREIGN DONORS. MOST OF THIS MONEY WILL BE USED TO PURCHASE AND OPERATE 1,000 GENERAL CARGO TRUCKS TO MOVE GOODS TO AND FROM THE TANZANIAN PORT OF DAR ES SALAAM. ALTHOUGH LUSAKA HAS BOUGHT OR LEASED ALMOST 750 OF THESE TRUCKS FROM SUPPLIERS IN THE US, GREAT BRITAIN, WEST GERMANY, JAPAN, AND SWEDEN, FEW WILL BE AVAILABLE BEFORE THE END OF THE YEAR.

PROSPECTS FOR INCREASES IN ZAMBIAN TRADE THROUGH THE MOST CONVENIENT ROUTES--DAR ES SALAAM AND THE ANGOLAN PORT OF LOBITO--ARE NOT PROMISING. DAR ES SALAAM IS HANDLING ONLY A LITTLE MORE ZAMBIAN TRADE THAN IT DID PRIOR TO THE BORDER CLOSURE. INEFFICIENCY ON THE PART OF THE PORT AUTHORITIES IN DAR ES SALAAM AND BY THE ZAMBIANS THEMSELVES PRECLUDE ANY LARGE INCREASE IN THE IMMEDIATE FUTURE. A SUBSTANTIAL PORTION OF LUSAKA'S IMPORTS, INCLUDING MOST BULK CARGO AND HEAVY MINING EQUIPMENT, HAS BEEN MOVING OVER THE LONG RAIL LINE FROM LOBITO. PORT CONGESTION THERE HAS RISEN

DRAMATICALLY, HOWEVER, AND SINCE 1 JULY A 20-PERCENT SUR-

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CHARGE HAS BEEN LEVIED ON GOODS TRANSITING THE HARBOR.

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5. IRAN-JORDAN-TUNISIA: TEHRAN'S LATEST DISPLAY OF SUPPORT FOR THE ARAB MODERATES INCLUDES LOANS OF \$5 MILLION EACH TO JORDAN AND TUNISIA. THE SHAH WANTS BETTER RELATIONS WITH HUSAYN AND BOURGUIBA, BOTH LEADERS OF CONSERVATIVE ARAB STATES, IN ORDER TO EXTEND HIS INFLUENCE IN THE MIDDLE EAST. HUSAYN IN PARTICULAR WILL WELCOME THE LOAN BECAUSE HE HAS BEEN UNDER PRESSURE FROM SOME ARABS TO REVISE HIS STRONG ANTI-FEDAYEEN POSITION IN RETURN FOR FINANCIAL ASSISTANCE. {CONFIDENTIAL} E-11 IMPDETH

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ITEMS MARKED B HAVE BEEN COORDINATED WITH THE DEPARTMENTS OF
STATE AND DEFENSE.

R1./EC-SPAIN: THE TALKS LAST WEEK BETWEEN THE EUROPEAN COMMUNITIES AND SPAIN OVER THE LATTER'S LINK WITH THE ENLARGED EC SETTLED ON AN OBJECTIVE FOR A FREE-TRADE AGREEMENT, BUT THE TWO SIDES REMAIN FAR APART ON THE TREATMENT OF AGRICULTURAL PRODUCTS AND THE TIMING OF THE OVERALL ARRANGEMENT.

THE EC PROPOSED THAT TRADE RESTRICTIONS ON INDUSTRIAL PRODUCTS BE ENDED BY 1977 AND THAT IMPORT RESTRICTIONS ON OTHER PRODUCTS, PRIMARILY AGRICULTURAL, BE PHASED OUT OVER A LONGER PERIOD. THE SPANIARDS, HOWEVER, WANT THE COMMUNITY TO STEP UP THE PACE OF FREEING AGRICULTURAL TRADE WHILE PERMITTING SPAIN TO SLOW DOWN ITS TARIFF REDUCTIONS FOR INDUSTRIAL PRODUCTS.

THE TWO SIDES WILL RESUME NEGOTIATIONS IN LATE SEPTEMBER. DESPITE THE WIDE DIFFERENCES SEPARATING THE TWO SIDES, MADRID SEEMS OPTIMISTIC THAT THE COMMUNITY WILL MAKE ENOUGH CONCESSIONS ON SPANISH AGRICULTURAL EXPORTS TO ALLOW SPAIN TO QUALIFY AS

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THE DISCUSSIONS WITH SPAIN ARE THE FIRST IN A SERIES OF NEGOTIATIONS BEGINNING THIS SUMMER IN WHICH THE EC INTENDS TO DEVELOP ITS SO-CALLED MEDITERRANEAN POLICY. THE FIRST ROUND HAS BEEN CONCLUDED WITH ISRAEL, WHICH ALSO FINDS FAULT WITH THE COMMUNITY'S MAJOR OFFERS ON AGRICULTURE. TALKS BETWEEN THE EC AND THE MAGHREB COUNTRIES ARE SCHEDULED FOR LATER THIS SUMMER. {CONFIDENTIAL} //

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ARE PRECAUTIONARY STEPS DESIGNED TO SET GUIDELINES FOR PARTY BEHAVIOR AND TO OUTLINE TO THE GENERAL PUBLIC THE LIMITS OF TOLERANCE DURING DETENTE. HE SUGGESTED THAT THERE MIGHT BE FURTHER DEVELOPMENTS FROM THE FORTHCOMING CRIMEA SESSION OF PARTY LEADERS.

A YUGOSLAV SOURCE HAS ASSERTED THAT NOBODY--ESPECIALLY THE HUNGARIANS AND POLES--WANTED THE AGREEMENTS, BUT WENT AHEAD WITH THEM AS A GESTURE OF SOLIDARITY WITH MOSCOW. A ROMANIAN DIPLOMATIC SOURCE CLAIMS THAT BUCHAREST HAS NOT PARTICIPATED BECAUSE OF THE CLEAR ANTI-CHINESE BIAS IN THE AGREEMENTS, AND BECAUSE ROMANIA WISHED ONCE AGAIN TO DEMONSTRATE ITS INDEPENDENCE. {CONFIDENTIAL}

3.//USSR-W. GERMANY: THE SOVIETS FORMALLY PROTESTED ON 23 JULY THAT PROVISIONS IN A DRAFT WEST GERMAN LAW NOW UNDER CONSIDERATION IN THE BUNDESRAT VIOLATE THE QUADRIPARTITE AGREEMENT ON BERLIN. THE PROTEST WAS REGISTERED IN AN AIDE-MEMOIRE PRESENTED TO THE US, BRITISH, AND FRENCH EMBASSIES IN MOSCOW. ACCORDING TO THE SOVIETS, THE DRAFT "INTRODUCTORY LAW TO THE CRIMINAL

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CODE" VIOLATES PROVISIONS IN THE QUADRIpartite AGREEMENT THAT STATE WEST BERLIN IS NOT A PART OF WEST GERMANY AND SHALL NOT BE GOVERNED BY IT. MOSCOW ALSO MAINTAINS THAT THE DRAFT LAW AFFECTS SECURITY MATTERS, IN VIOLATION OF THE AGREEMENT.

THE SOVIETS HAVE CONSISTENTLY ADOPTED A STRICT INTERPRETATION OF THE WEST GERMAN - WEST BERLIN RELATIONSHIP PERMITTED BY THE AGREEMENT AND HAVE BEEN QUICK TO CALL ATTENTION TO ALLEGED DEVIATIONS. UNDER ESTABLISHED PROCEDURES, WEST GERMAN DRAFT LAWS ARE EXTENDED TO WEST BERLIN WITH THE PERMISSION OF THE WESTERN ALLIES, AND A DETERMINATION WILL THEN HAVE TO BE MADE AS TO WHETHER THE SOVIET COMPLAINTS HAVE MERIT.

THIS PARTICULAR PROTEST MAY BE RELATED TO THE RECENT EXCHANGE OF ACCUSATIONS OVER BERLIN MATTERS. THE SOVIETS STATE THAT THEY HAVE "ADDITIONAL DATA INDICATING THE EFFORTS OF THE FRG AUTHORITIES TO ACT IN CIRCUMVENTION OF THE QUADRIpartite AGREEMENT" AND "RESERVE THE RIGHT TO RETURN TO THIS QUESTION IN THE FUTURE." THE FOREIGN MINISTRY OFFICIAL WHO PRESENTED THE AIDE-MEMOIRE SAID, HOWEVER, THAT MOSCOW DID NOT INTEND TO

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PUBLICIZE IT. (CONFIDENTIAL)//

4. BULGARIA: THE SUMMER DOLDRUMS WERE BROKEN IN SOFIA LAST WEEKEND BY THE VISITS OF FRENCH PREMIER MESSMER AND FOREIGN MINISTER JOBERT, AND TURKISH FOREIGN MINISTER BAYULKEN.

MESSMER WAS THE FIRST FRENCH PREMIER TO VISIT BULGARIA SINCE THE END OF WORLD WAR II. THE EMBASSY IN SOFIA REPORTS THAT ITS MAJOR ACCOMPLISHMENT WAS IN THE REALM OF ATMOSPHERICS. THE FINAL COMMUNIQUE POINTS TO FUTURE BILATERAL ECONOMIC COOPERATION, HINTING AT A POSSIBLE LONG-TERM AGREEMENT ON SCIENTIFIC-TECHNICAL COOPERATION AND ENDORSING INCREASED TRADE.

THE VISIT OF TURKISH FOREIGN MINISTER BAYULKEN, ON THE OTHER HAND, TOUCHED ON A NUMBER OF SENSITIVE BILATERAL PROBLEMS. THE FINAL COMMUNIQUE INDICATES MEASURES ARE UNDER CONSIDERATION TO EXPEDITE THE EMIGRATION OF ETHNIC TURKS FROM BULGARIA TO TURKEY. AN AGREEMENT WAS REACHED ON HOLDING HIGH-LEVEL FOREIGN MINISTRY TALKS AT LEAST ONCE A YEAR, AND ON MEETINGS EVERY SIX MONTHS BETWEEN THE HEADS OF PRESS AND INFORMATION SERVICES. THE TWO SIDES AGREED TO EXPLORE POSSIBILITIES FOR EXPANDING

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ECONOMIC TIES, AND PLEDGED TO GIVE STRONGER IMPETUS TO CULTURAL RELATIONS AND EXCHANGES.

THE COMMUNIQUE ALSO PRAISES EUROPEAN DETENTE AND APPLAUDS THE VIENNA TALKS ON FORCE REDUCTIONS.■ ON THE BALKANS, THE TWO SIDES "CONFIRMED THEIR CONVICTIONS THAT DEVELOPING GOOD RELATIONS AMONG THE BALKAN STATES WILL CONTRIBUTE TO THE MAINTENANCE OF PEACE AND SECURITY IN THE REGION." (CONFIDENTIAL)

5. CZECHOSLOVAKIA ACCORDING TO FOREIGN TRADE MINISTER BARCAK, PRAGUE'S TRADE WITH THE "CAPITALIST COUNTRIES" DURING THE FIRST SIX MONTHS OF 1973 ROSE MUCH MORE SHARPLY THAN DID ITS TRADE WITH THE "SOCIALIST COUNTRIES." WRITING IN RUDE PRAVO, THE PARTY DAILY, BARCAK REPORTED THAT EXPORTS TO THE FORMER ARE UP 14.4% OVER THE LEVEL OF THE ■■■FIRST SIX MONTHS OF 1972, AND THAT IMPORTS ARE UP 20.5%, IN CONTRAST TO AN INCREASE IN TOTAL EXPORTS OF 8.9% AND IMPORTS OF 12.8%.

IN ITS TRADE STATISTICS, PRAGUE'S USE OF THE TERM "CAPITALIST COUNTRIES" INCLUDES ALL STATES THAT ARE NOT RULED BY COMMUNIST PARTIES. SINCE CZECHOSLOVAK TRADE WITH

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THE DEVELOPING COUNTRIES STAGNATED DURING THE FIRST QUARTER OF THIS YEAR. THE INCREASE IS DUE TO EXPANDED TRADE WITH THE INDUSTRIALIZED WEST.

THE FACT THAT BARCK FAILS TO INDICATE ANY DISPLEASURE OVER THIS DEVELOPMENT, PLUS HIS INDICATION THAT THE PLAN IS ON TRACK, LENDS CREDENCE TO THE ARGUMENT THAT THE REGIME IS ACTIVELY SEEKING TO DIVERSIFY ITS TRADE PATTERNS (LAST YEAR, OVER 70% OF CZECHOSLOVAKIA'S TRADE WAS WITH COMMUNIST COUNTRIES). FACTORS BEHIND SUCH A MOVE PROBABLY INCLUDE REPORTED SOVIET PRODDING TO GET THE BLOC TO SEEK ALTERNATE SOURCES OF RAW MATERIALS AND ENERGY RESOURCES, INCREASED INTEREST IN WESTERN TECHNOLOGY (INCLUDING INCREASED AVAILABILITY), AND THE PROVERBIAL BETTER QUALITY OF WESTERN PRODUCTS.

ONE RESULT OF THIS DIVERSIFICATION UNDOUBTEDLY WILL BE AN INCREASE IN THE DEFICIT THAT PRAGUE HAS CONTINUALLY RUN IN ITS TRADE WITH THE INDUSTRIALIZED WEST. (CONFIDENTIAL)

6.//HUNGARY: A BRITISH LABOR PARTY DELEGATION THAT INCLUDED SHADOW FOREIGN MINISTER CALLAGHAN MET WITH TOP HUNGARIAN

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OFFICIALS DURING A RECENT FIVE-DAY STAY IN BUDAPEST. SESSIONS WITH PARTY LEADER KADAR, POLITBURO MEMBER KOMOCIN, AND FOREIGN MINISTER PETER UNDERLINED HUNGARY'S INTENT TO MAINTAIN GOOD TIES WITH THE LABOR PARTY EVEN THOUGH IT IS NOT IN POWER.

IT IS HIGHLY UNUSUAL FOR KADAR TO RECEIVE SUCH A DELEGATION, BUT HE HAS TALKED WITH AN ABNORMALLY LARGE NUMBER OF FOREIGN DIGNITARIES OVER THE LAST TWO WEEKS. BUDAPEST IS KEENLY INTERESTED IN EXPANDING ITS COMMERCIAL RELATIONS WITH LONDON, MAY FEEL THAT LABOR HAS A MORE SYMPATHETIC EAR, AND MAY WELL BELIEVE LABOR'S CLAIMS THAT IT WILL BE BACK IN POWER BEFORE LONG. (CONFIDENTIAL) E-2 IMPDET.

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WESTERN HEMISPHERE BRIEF 011.

THE FOLLOWING ITEMS HAVE NOT BEEN COORDINATED.

1. //ARGENTINA: MANEUVERING OVER THE NAMING OF A VICE-PRESIDENTIAL RUNNING MATE FOR JUAN PERON HAS RESULTED IN SHARP DISPUTES AMONG PERON'S SMALL CIRCLE OF CLOSE ADVISERS.

JORGE OSINDE, PERON'S ADVISER ON MILITARY AND INTELLIGENCE AFFAIRS, REPORTEDLY HAS SUBMITTED HIS RESIGNATION AS AN UNDER-SECRETARY IN THE MINISTRY OF SOCIAL WELFARE. HIS RESIGNATION WAS ACCOMPANIED BY A STRONGLY WORDED ATTACK ON SOCIAL WELFARE MINISTER LOPEZ REGA. OSINDE CHARGED LOPEZ REGA WITH PERMITTING LEFTIST INFILTRATION IN THE MINISTRY BUT PRIVATELY CONFIDED THAT ONE OF HIS PRIMARY CONCERNS WAS LOPEZ REGA'S MANEUVERING TO BECOME PERON'S VICE-PRESIDENT. PERON REPORTEDLY HAS OFFERED OSINDE THE POST OF SECRETARY OF THE NATIONAL SECURITY COUNCIL.

CONFLICTS BETWEEN OSINDE AND LOPEZ REGA, WHO SERVED FOR YEARS AS PERON'S PRIVATE SECRETARY, FIRST BECAME EVIDENT LAST NOVEMBER WHEN PERON ENDED HIS LONG EXILE AND VISITED BUENOS AIRES. THEN AS NOW IT WAS REPORTED THAT BECAUSE OF HIS ILLNESS

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PERON HAD BECOME VERY DEPENDENT ON HIS WIFE ISABEL AND LOPEZ REGA. OSINDE HAD PLANNED TO ARRANGE CONTACTS BETWEEN PERON AND OTHER OUTSIDE POLITICAL FORCES, BUT ISABEL AND LOPEZ REGA ALLEGEDLY WERE ABLE TO LIMIT PERON TO ONLY A FEW MEETINGS. THEY WERE ALSO REPORTED TO HAVE PUSHED STRONGLY FOR THE NOMINATION OF HECTOR CAMPORA.

ACCORDING TO OSINDE, ISABEL AND LOPEZ REGA ARE NOW WORKING IN CONCERT TO HAVE LOPEZ REGA BECOME A VICE-PRESIDENTIAL CANDIDATE. REPORTS THAT THESE TWO WIELD CONSIDERABLE INFLUENCE OVER THE AGING AND AILING FORMER DICTATOR MAY BE EXAGGERATED, BUT ANOTHER SOURCE REPORTS THAT PERON IS WAVERING ON THE SELECTION OF RADICAL PARTY LEADER BALBIN AS HIS RUNNING MATE. (SECRET NO FOREIGN DISSEM)//

2. BRAZIL: FINANCE MINISTER DELFIM NETO ONCE AGAIN HAS ANNOUNCED THAT THE GOVERNMENT WILL BE ABLE TO LIMIT INFLATION TO TWELVE PERCENT THIS YEAR, AND USED THE JUST PUBLISHED FIGURES FOR THE FIRST HALF OF 1973 TO SUPPORT HIS POSITION.

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THE US EMBASSY, HOWEVER, USING THE SAME FIGURES, HAS CONCLUDED THAT IT WILL BE IMPOSSIBLE FOR THE GOVERNMENT TO MEET THAT GOAL. THE "OFFICIAL" FIGURES ARE RIO DE JANEIRO ONLY, WHERE THE COST OF LIVING ROSE 6.8 PERCENT BETWEEN JANUARY AND JULY. BUT IN THE OTHER AREAS OF THE COUNTRY, PRICE INCREASES AVERAGED HIGHER--UP TO 9.32 PERCENT IN SOUTHERN PORTO ALEGRE. FOOD WAS THE LEADING ITEM IN PUSHING PRICES HIGHER THROUGHOUT THE COUNTRY EXCEPT RIO, FURTHER SUGGESTING THAT THE GOVERNMENT IS RIGGING PRICES IN ORDER TO "OFFICIALLY" MEET THE INFLATIONARY GOAL. YET, EVEN WITH RIGGING, OUR EMBASSY CONSIDERS THAT THE OFFICIAL FIGURE WILL HAVE TO EXCEED THE TWELVE PERCENT GOAL. USUALLY THE LAST SIX MONTHS OF THE YEAR SHOW A SLOWDOWN IN THE RISE OF PRICES, BUT THIS YEAR THE EMBASSY SEES INFLATIONARY PRESSURES INCREASING RATHER THAN ABATING FOR THE SECOND SEMESTER OF 1973.

AN INFLATION LIMITED TO NEAR TWELVE PERCENT IS A CONSIDERABLE ACCOMPLISHMENT FOR ANY BRAZILIAN FINANCE MINISTER, BUT DELFIM HAS PUT HIS PRESTIGE ON THE NUMBER TWELVE. IN ADDITION TO BEING A BITTER FINALE FOR THE MEDICI GOVERNMENT, FAILURE TO REACH

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THAT GOAL MAY SPELL FUTURE TROUBLE FOR THE POLITICALLY AMBITIOUS
 DELFIM. (LIMITED OFFICIAL USE)

3. COLOMBIA-ECUADOR: IF VENEZUELA RENEWS DIPLOMATIC RELATIONS
 WITH CUBA IN THE NEAR FUTURE, AS IS EXPECTED, COLOMBIA AND ECUADOR
 MAY VERY WELL FOLLOW SUIT. COLOMBIAN PRESIDENT PASTRANA HINTED
 THAT RECOGNITION OF CASTRO'S REGIME MAY BE IN THE OFFING DURING
 HIS JUST-COMPLETED TRIP TO VENEZUELA. IN HIS ARRIVAL SPEECH IN
 CARACAS, PASTRANA NOTED THAT "IDEOLOGICAL PLURALISM" IS REQUIRED
 IN LATIN AMERICAN RELATIONS. LATER, THE COLOMBIAN PRESIDENT
 REPORTEDLY TOLD NEWSMEN THAT "LATIN AMERICA MUST MAINTAIN RELA-
 TIONS WITH ALL COUNTRIES OF THE WORLD." IT ALSO IS LIKELY THAT
 COLOMBIA WILL REVERSE ITS POSITION OF SUPPORT FOR US POLICY,
 AND ENDORSE FUTURE MOVES IN THE OAS TO LIFT SANCTIONS AGAINST
 DEALING WITH CUBA.

THERE HAVE BEEN NO DIRECT INDICATIONS THAT ECUADOREAN
 PRESIDENT RODRIGUEZ HAS DECIDED TO OPEN RELATIONS WITH HAVANA,
 BUT ECUADOR CONTINUES TO SUPPORT MOTIONS THAT WOULD LIFT PRO-
 HIBITIONS AGAINST OAS STATES DEALING WITH CASTRO. QUITO HAS

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CONSULTED CLOSELY WITH CARACAS ON ISSUES OF THIS SORT IN THE PAST
AND PROBABLY WILL CONTINUE TO DO SO. FURTHERMORE, RODRIGUEZ
REALIZES THAT HIS REGIME COULD USE THE POPULAR BOOST THAT A
NATIONALISTIC MOVE SUCH AS DEFYING THE US ON CUBA WOULD PROBABLY
YIELD. (SECRET) E-2IMPDET.H

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EAST ASIA BRIEF D11.

ITEMS MARKED & HAVE BEEN COORDINATED WITH THE DEPARTMENTS OF STATE AND DEFENSE.

EL//CHINA: LAST YEAR'S DISAPPOINTING HARVEST HAS CAUSED POLITICAL REPERCUSSIONS IN THE CHINESE LEADERSHIP.

VICE PREMIER LI FU-CHUN, AT ONE TIME A LEADING ECONOMIC PLANNER, REPORTEDLY APOLOGIZED LATE LAST YEAR FOR OVERESTIMATING CHINA'S INDUSTRIAL GROWTH RATE. LI ALLEGEDLY SAID THIS CAUSED TOO MUCH MANPOWER TO BE ASSIGNED TO INDUSTRY, THUS HURTING AGRICULTURE.

IN THE WAKE OF LAST YEAR'S SUBNORMAL HARVEST, PEKING HAS TAKEN STEPS TO SHIFT MORE MANPOWER TO AGRICULTURE. IT IMPOSED A STIFF 5-PERCENT CEILING ON THE NUMBER OF WORKERS IN THE COUNTRYSIDE ALLOWED TO DO NONFARMING WORK, REPORTEDLY INSTITUTED A FREEZE ON THE HIRING OF URBAN FACTORY WORKERS, AND SHARPLY

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ACCELERATED THE CAMPAIGN TO SEND CITY YOUTH TO WORK
IN AGRICULTURE.

THESE MOVES PROBABLY RESULTED FROM CONCERN OVER
CURRENT HARVEST PROSPECTS RATHER THAN FROM ANY MIS-
CALCULATION BY LI FU-CHUN. ADVERSE WEATHER CONDI-
TIONS WERE THE PRIMARY REASON FOR LAST YEAR'S SHORT-
FALL, AND NO PLANNER CAN PROGRAM NATURAL CALAMITIES.

THE AGING LI FU-CHUN HAS NOT BEEN ACTIVE IN
RECENT YEARS. BY ACCEPTING THE BLAME, HOWEVER, LI
DEFLECTS CRITICISM FROM OTHERS MORE DIRECTLY IN-
VOLVED IN MANAGING THE ECONOMY. HE WAS REPLACED AS CHIEF
PLANNER LAST FALL BY YU CHIU-LI; BOTH HAVE BEEN
CLOSE ASSOCIATES OF CHOU EN-LAI. DESPITE THE DIS-
CLOSURE OF LI'S CONFESSION, AS A PARTY ELDER HE
PROBABLY WILL RETAIN HIS CENTRAL COMMITTEE MEMBER-
SHIP AT THE COMING PARTY CONGRESS. {CONFIDENTIAL}

2. CHINA: PEKING, NOW WELL IN ITS DRIVE TO IMPORT
ADVANCED FOREIGN TECHNOLOGY, IS MAKING A SPECIAL EFFORT TO

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ADJUST ITS IDEOLOGICAL POSITION TO ACCEPT THE IDEA OF FOREIGN AID AS A PROPER TOOL FOR ECONOMIC DEVELOPMENT. SPEAKING IN GENEVA AT THE 55TH SESSION OF THE UN ECONOMIC AND SOCIAL COUNCIL, CHINESE DELEGATE WANG JUN-SHENG ACKNOWLEDGED THAT DEVELOPING COUNTRIES, INCLUDING CHINA, SUFFERED FROM INADEQUATE FUNDS AND LACK OF TECHNOLOGICAL KNOW-HOW. HE DOWNGRADED THE CONCEPT OF AUTARKY AND INSISTED ON "MUTUAL RESPECT AND BENEFIT" IN AID RELATIONS.

WANG'S SPEECH WENT SOMEWHAT BEYOND THE STATEMENTS MADE BY THE CHINESE DELEGATION LAST APRIL AT THE MEETING OF THE UN ECONOMIC COMMISSION IN ASIA AND THE FAR EAST. AT THAT MEETING, THE CHINESE DELEGATE WENT NO FURTHER THAN TO EXPLAIN THAT SELF RELIANCE DID NOT PRECLUDE INTERNATIONAL ECONOMIC AND TRADE RELATIONS AND THAT THE CHINESE WERE "READY TO LEARN FROM THE ADVANCED EXPERIENCE OF OTHER PEOPLES" (SECRET)

3.//CHINA: THERE IS MOUNTING EVIDENCE THAT SHARP RISES IN THE PRICES OF CHINESE TEXTILES AT THE SPRING CANTON TRADE FAIR BROUGHT WIDESPREAD COMPLAINTS AND STIFF

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RESISTANCE FROM MANY OF CHINA'S BEST CUSTOMERS. PEKING'S DECISION TO BOOST PRICES WAS PROBABLY BASED ON A NUMBER OF FACTORS-RISING COSTS OF IMPORTED RAW MATERIALS, IMPROVEMENTS IN THE QUALITY OF CHINESE TEXTILES, INCREASES IN WORLD TEXTILE PRICES, CURRENCY REVALUATIONS BY JAPAN AND OTHER MAJOR TRADING PARTNERS, AND INCREASED CHINESE FOREIGN EXCHANGE NEEDS. TEXTILES NORMALLY ACCOUNT FOR BETWEEN 25 AND 30 PERCENT OF THE ANNUAL VALUE OF CHINESE EXPORTS.

THE OVER-ALL EFFECTS OF THE PRICE INCREASES ON TEXTILE EARNINGS CANNOT BE ASSESSED AT THIS POINT. INDICATIONS THAT THE CHINESE WERE LEFT WITH SUBSTANTIAL AMOUNTS OF UNSOLD TEXTILES WHEN THE FAIR CLOSED SUGGEST THAT PEKING OVER-ESTIMATED THE WILLINGNESS OF CUSTOMERS TO PAY THE HIGH PRICES. THERE IS NO EVIDENCE THAT DOMESTIC PROBLEMS WITH TEXTILE SUPPLIES HAVE CUT CHINESE TEXTILE EXPORT CAPABILITIES. OUTPUT OF WOOL, SILK, AND MAN-MADE FIBER PROBABLY INCREASED LAST YEAR, AND MASSIVE COTTON IMPORTS THIS YEAR ARE BELIEVED TO HAVE OFFSET THE POOR 1972 COTTON

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